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ABSTRACT

The impact of United Kingdom welfare policies upon opportunities for participation in all types of post-16 learning by those receiving welfare benefits differ by age, employment status, and mode of study. A key issue is whether welfare policies help low-skilled people who are not in work to participate in learning, or whether rules and regulations act as barriers to those already economically and educationally at a disadvantage. The policy objective of government is to raise productivity by investing in the skills of the workforce, particularly those of low-skilled workers. An analysis of policy finds that the following groups are currently eligible to receive welfare benefits: young people, people receiving income support, people receiving incapacity benefit, pensioners on low incomes, people seeking work, people receiving Jobseeker's Allowance, people on the New Deals, employed people on welfare benefits, and people receiving tax credits. Findings suggest that the government's encouragement of unemployed young people to take up full-time education, training, or work with training rather than work without training is successful, but that the "work first" emphasis for unemployed adults is problematic. Measures should be created that enable all unemployed people to learn full-time in order to obtain skills and become more employable. (Contains seven references.) (MO)

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The welfare system and post-16 learning:

breaking down the barriers

Deirdre Macleod

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Introduction

This government sees learning as central to raising productivity, helping people into employment and achieving a fairer society. Its contribution to achieving these objectives has been described comprehensively in government policy documents, including, most recently, the Chancellor's 2003 Budget Report, *Building a Britain of economic strength and social justice.*[1]

Challenging targets for adult learning participation and achievement have been set to help meet these goals. A key Department for Education and Skills (DfES) public service agreement (PSA) target is to reduce by at least 40% the number of adults in the UK workforce who lack NVQ 2 or equivalent qualifications by 2010, with 1 million adults already in the workforce to achieve Level 2 between 2003 and 2006. However, as the recently published Learning and Skills Council (LSC) *Funding adult learning: technical document* observed,

opportunities [for learning] *are not taken up in the volumes needed to significantly reduce the number of low-skilled adults. The current system is not reaching many of the low skilled and is not leading to a sufficient improvement overall in skills levels.*[2]

To help increase demand for learning among adults, DfES is increasingly targeting public funding support on helping low-skilled people to achieve foundation levels of learning (commonly regarded as Level 2). The government's proposals are set out in its Skills Strategy, *21st century skills: realising our potential.*[3] These efforts are driven by a recognition that lower-qualified people are more likely to earn less or be unemployed than their better qualified counterparts and that there is a 'market failure', with little investment by employers or individuals in skills at this level.

But at the same time government policy states that 'work is the best form of welfare'. Raising employment rates, particularly among disadvantaged groups, is a central objective for the Department of Work and Pensions (DWP). While DWP recognises that many low-skilled people who are unemployed or incapacitated can improve their employability by gaining skills and qualifications, the Department's policies and strategies prioritise getting people back into work. Rules governing eligibility for welfare benefits aim to keep people focused on seeking work, rather than participating in learning.

For individuals, learning can have long-term benefits. It can help unemployed people gain work, those on low incomes to get better paid jobs, and generally improve health and well-being. For the state, ultimately, learning can help people move off welfare benefits. Learning has the potential to benefit all, but it is not necessarily a quick fix – participation, achievement and progression can take time – and current employment policies appear to seek rapid results.

A key issue, therefore, is whether welfare policies help low-skilled people who are not in work to participate in learning or whether rules and regulations act as barriers to those already economically and educationally at a disadvantage.

Tax credits are also available to people in work on low incomes. A second important issue is whether government policies act to encourage or deter people in low-paying jobs from gaining skills.

These issues are important in the context of the current debate about widening participation in learning among disadvantaged groups. Much attention has been given to situational and dispositional barriers, such as lack of confidence, time or money, but the design of policies can also significantly help or hinder the achievement of public policy objectives. Given the large number of people in England who receive means-tested and non means-tested benefits, the rules governing the operation of welfare policies could have an important effect on many people's opportunities for learning, achievement and progression.

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Purpose of this report

This report examines the potential impact of welfare policies on learning opportunities for those on welfare benefits or low incomes. In the context of the proposals set out in the government's Skills Strategy, it makes recommendations for how welfare, employment and post-16 learning and skills policies might be developed to stimulate and widen participation in learning without compromising the objectives of different government departments.

Basis and scope of the report

The report draws upon a policy research project conducted by MC Consultancy for LSDA between September and November 2002. The project reviewed literature and sources of guidance on welfare benefits and tax credits, student financial support and key government policy documents on welfare and learning and skills policies. It examined publicly funded education and training in England alone.

Two important points should be noted. The post-16 education and training system in England and the UK-wide benefits and tax credit system are very complex. This report considers the impact of welfare policies at headline level only. It is not exhaustive in its coverage and does not examine welfare regulations or learner financial support policies in detail. The observations and recommendations made in the report are those that appeared most obvious and important from an examination of the evidence.

Second, the report examines the potential impact of welfare policies upon participation in learning in theory only. It does not examine empirical evidence of the impact of welfare benefit regulations on individuals or the impact of levels of welfare benefits relative to wages or the impact of levels of learner financial support on an individual's propensity to participate. These are important issues that might shed additional light upon the matter in hand, but they are not within the scope of this report.

Definitions

The report considers the impact of welfare policies upon opportunities for participation in all types of post-16 learning by young people and by adults.

The main welfare benefits examined were:

- Jobseeker's Allowance – an earnings replacement benefit
- Incapacity Benefit – a non means-tested benefit for those who are sick and have disablilities
- Income Support – a means-tested benefit for vulnerable groups of people
- tax credits, including Working Families Tax Credit (renamed and refocused as Working Tax Credit since April 2003) and Child Tax Credit.

The policy context

Key recent policy and budget announcements on learning and skills

The overarching policy objective of government, as stated in the Budget Report 2003, is to deliver high and stable levels of growth and employment. Increasing productivity and flexibility in the UK economy are key strategies. Central to raising productivity is investing in the skills of the workforce, particularly those of low-skilled workers.

The DfES published its Skills Strategy on 9 July 2003. The goal of the skills strategy is to contribute, through improved skills, to the government's overarching objectives of high growth and employment levels. Skill levels are regarded as one of a range of drivers of productivity; others include innovation and enterprise. The government has announced in its Skills Strategy that it will introduce an 'entitlement to free learning' for adults without qualifications to help them gain a full Level 2 skills foundation for employability, as this appears to be where 'market failure' occurs. It is argued in the Budget Report that adults who have reached Level 2 are much more likely to undertake further training on their own initiative or receive training from their employers and gain higher intermediate-level skills.[4]

To improve skills and learning among young people, Education Maintenance Allowances (EMAs) will be introduced across England from September 2004. The Budget also announced that the government will establish a cross-governmental group to examine the overall system of financial support for 16–19 year olds. It will report in spring 2004 and will examine the financial incentives for young people to participate in education and training and the interaction between this support and any new minimum wage for 16 and 17 year olds. The Skills Strategy announced the introduction of means-tested Adult Learning Grants of up to £30 per week for adults studying full-time for a first Level 2 qualification and for young adults studying full-time for their first full Level 3 qualification.

To raise employment rates for adults, the government aims to offer skills and training and transitional help for people moving between jobs, primarily through an extension of the New Deal to other groups who are not in work. Extra help will be given to unemployed people searching for jobs, with additional interventions in the first six months. There will also be greater flexibility for Jobcentre Plus districts to respond to local conditions, with a new discretionary fund and more flexible options within the New Deal for young people.

The primary focus of the Skills Strategy appears to be on improving the skills of those already in work. This may be because policy and funding support for in-work skills acquisition is less well developed. Improving skills for those who are out of work will either be addressed when they re-join the workforce or, for those who are out of work for longer, through the New Deal. There is, however, some discussion within the Skills Strategy about how to improve the skills of unemployed people and proposals for aligning the policies of DWP more closely with those of the DfES and with the objectives of the skills strategy.

The LSC recently published a consultation document on its strategy for widening adult participation in learning.[5] This strategy aims to widen participation among all groups of non-traditional learners, not just those who are in work.

The DfES White Paper on higher education *The future of higher education* set out the government's proposals for expanding participation in, and extending access to, higher education.[6] Much of the expansion is expected to come through new types of qualification, including foundation degrees, and a significant proportion of the additional participation is likely to be part-time rather than full-time.

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The Department for Work and Pensions: overarching policy

The overall goal of the Department for Work and Pensions (DWP) for people of working age, as set out in its 2002 annual report, is to promote work for those who can and provide support for those who cannot. Fundamental to achieving this goal is the creation of Jobcentre Plus, bringing together the former Employment Service and those parts of the Benefits Agency that support people of working age into a single integrated business with a clear focus on work.

The changing welfare state: employment opportunity for all, published in November 2001 by the Treasury and the Department for Work and Pensions,[7] described a three-pronged strategy for reducing worklessness as part of a 'work first' approach to welfare: welfare-to-work policies would provide individuals with the advice and support they needed to move into work; measures would be introduced to make work pay; and skills would be enhanced, particularly among those with basic skills needs.

The current position for people receiving welfare benefits

Young people

There are an estimated 170,000 to 183,000 young people in England who are not in education, employment or training. The primary focus of policy for this age group is to encourage them into education and training, full-time if possible, and then into skilled work. The key PSA target for this group is that by the age of 22, 90% of young people will have participated in a full-time programme fitting them for entry into higher education or skilled employment.

Those 16–17 year olds who are not in full-time education are guaranteed a full-time training place. Most out-of-work young people of this age are not eligible for Jobseeker's Allowance. Moreover, 16–17 year olds cannot usually choose to study part-time and also receive welfare benefits; only 16–17 year olds who do not need actively to seek work because they have other responsibilities or circumstances and are therefore eligible for Income Support can consider studying part-time. Those 18–19 year olds who can claim JSA can also study part-time, subject to JSA restrictions.

Youth trainees receive a training allowance that is not means-tested but parents of youth trainees do not receive Child Benefit. Child Benefit is payable to parents and guardians of 16–19 year olds waiting to enter work-based training for up to 12 weeks. After the Child Benefit extension period expires, young people can claim a 'bridging allowance', but must be willing to take up a training place and be registered with the Connexions service. Child Benefit is also payable to parents with children under 19 in 'relevant' education.

Depending on the number of hours required as part of work-based learning programmes, it is possible for young people to study full-time as well as take part in work-based training. This enables them to claim Education Maintenance Allowances as well as Training Allowances. From 2004, Education Maintenance Allowances will be available on a national basis for eligible 16–19 year olds on full-time education programmes.

Economically inactive adults on welfare support

Economically inactive groups eligible for welfare benefits include lone parents with children under 16, single people fostering children up to 16, and sick and disabled people and pensioners. Economically inactive groups are potentially eligible for a range of means-tested benefits to support low incomes, such as Income Support, or non means-tested benefits, such as Incapacity Benefit or Disability Living Allowance, or both.

People who are economically inactive make up a significant proportion of the UK working-age population. Nearly 4 million people of working age claim Incapacity Benefit or Disability Living Allowance and around 900,000 lone parents claim Income Support.

People receiving Income Support

Those on Income Support appear to have more freedom to take part in learning than other groups of benefit claimants, such as those on Jobseeker's Allowance. They are entitled to participate in full-time or part-time learning. However, for many on Income Support there may be a limit to the period for which they can claim; for example, a lone parent with children under 16 may have to transfer to Jobseeker's Allowance once their child reaches 16. This can have implications for the extent to which they may be able to participate in learning as the eligibility rules for Jobseeker's Allowance differ from those for Income Support.

If learners who receive Income Support also receive learner financial support, then certain elements of this financial support can be taken into account by DWP when determining the level of benefits they will receive. Some of this learner financial support may be received in the form of loans as well as grants and discretionary payments. Learners on benefits might not regard loans as an equivalent type of income to benefits, as loans must eventually be paid back. This could act as a potential barrier to entry into, or continued participation in, learning.

People receiving Incapacity Benefit

People receiving Incapacity Benefit cannot easily engage in learning without jeopardising their eligibility for that welfare benefit. If claimants wish to study part-time, they must argue the case for permitted or therapeutic study with DWP.

Full-time students cannot claim Severe Disablement Allowance (SDA). They must move onto other benefits or apply for student support. Incapacity Benefit claimants do have fast-track access to New Deal programmes and Work-Based Learning for Adults, but if they take up these options, they must move onto Jobseeker's Allowance, which assumes that they are actively seeking work.

With regard to support for the cost of learning, people who are eligible for Incapacity Benefit and Disability Living Allowance are not automatically entitled to fee remission because these benefits are not means-tested. This is a potential financial barrier for claimants of these benefits whose income may be low. However, people with disabilities who work and receive Disabled People's Tax Credits (DPTCs) are eligible for automatic fee remission because DPTCs are means-tested. This puts unemployed people with disabilities who do not receive means-tested benefits at a disadvantage when it comes to meeting the cost of learning.

Other economically inactive people on out-of-work and in-work, means-tested benefits have their fees automatically remitted for part-time and full-time LSC-funded learning and part-time HE programmes.

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Pensioners on low incomes

Those who are over 60 (or 65) and who receive means-tested Minimum Income Guarantee payments and pension credits (due to be introduced later this year) are entitled to fee remission on full-time and part-time further education. This is potentially helpful for older people on low incomes who wish to participate in learning. Otherwise, there is no automatic fee remission for people of pensionable age. Pensioners are not classed as students for welfare benefit purposes. This means that if they are on income support and wish to study, their benefit claims are not affected.

People seeking work

People seeking work may be eligible for Jobseeker's Allowance (JSA).

People receiving Jobseeker's Allowance

JSA claimants are able to take short full-time training programmes, but courses should be employment-related and should last no longer than 2 weeks in a 12-month period. Generally, JSA claimants wishing to study full-time for longer periods must move off Jobseeker's Allowance and apply for student support.

However, JSA claimants aged over 18 can study part-time for 16 hours or fewer per week on LSC-funded programmes or on programmes defined as part-time by individual HE institutions. Changes to regulations have made studying easier for JSA claimants by allowing them to study part-time if they can rearrange the hours of the course to take up employment within their stated patterns of availability. However, there are extra conditions that are potentially disruptive to any individual hoping to complete a learning programme. JSA claimants must be available to start work immediately and willing to take time away from their course to attend a job interview. They must also be able to rearrange the hours of courses to fit around a job or be prepared to abandon the course at once to take up a job of 25 hours or more per week. These conditions support the hypothesis that for unemployed individuals the policy is that work comes first.

People on the New Deals

The position for those on the New Deals is different, although there are still restrictions upon what can be pursued. The opportunity to participate in vocationally oriented, job-related learning is an important component of the strategies to help people return to work. The education and training options of each of the New Deals have been popular among participants.

For 18–24 year olds, the full-time education and training option allows young people vocationally oriented learning up to Level 2, although there is a 12-month limit on the period of study. There appears to be some discretion for New Deal advisers to arrange higher-level study if it is more appropriate. Young people choosing the full-time education and training option may also receive some help with travel and course costs.

Those aged over 25 may take a vocationally oriented programme, usually up to Level 3, for up to 9 months. Again, travel and course costs may be covered.

Employed people on welfare benefits

People who are in work may receive a range of means-tested welfare benefits if their income and capital are sufficiently low. These benefits include Working Tax Credits (previously Working Families Tax Credits) and Child Tax Credits.

It is difficult to quantify how many people are affected because individuals may claim more than one benefit. As an illustration of numbers, over 1.5 million families in England in 2002/03 claimed Working Families Tax Credits and Child Tax Credits; nearly 4 million individuals claimed housing benefit; just under 5 million individuals claimed Council Tax Benefit and over 2 million individuals claimed income support.

People receiving tax credits

Participation in learning by those who receive tax credits is not restricted as they are not seeking work.

Those on in-work, means-tested benefits, such as tax credits, are entitled to fee remission for part-time higher education and full-time and part-time further education. The government announced in the 2003 Budget a significant extension in the scope of tax credits to include single people over 25, so that an even larger proportion of adults will be entitled to fee remission. The transfer of funding for child dependants to tax credits and changes to how tax credits treat student income have also enabled more full-time students to claim tax credits.

It is likely that the income levels of full-time students who have recently moved off benefits are sufficiently low to ensure that they do not have to pay means-tested HE fee contributions.

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Conclusions and recommendations

Our examination of welfare policies shows that learning opportunities for those receiving welfare benefits differ by age, employment status and mode of study.

Young people

For young people, including those who are unemployed, participation in learning is seen by government as a key priority. Increasingly, the emphasis is upon learning for this age group to improve their skills so that they may enter skilled work or higher education.

There appears to be a strong presumption in DfES policies in favour of full-time education and training programmes for young people, up to the age of 22. Evidence of inactivity rates among young people shows that, in recent years, the growth in labour market inactivity among the 18–24 age group has been driven almost entirely by young people entering education and training. Welfare policies are supportive of full-time learning for those aged 16–19 but, as this report has shown, less so for those aged 19–22. This suggests that there is disjuncture between the learning and skills and welfare policies for this age group.

This emphasis upon full-time education and training programmes is both reflected in and further strengthened by recent learning and skills policy developments including the guarantee of training places for unemployed 16–18 year olds, the current re-shaping of Modern Apprenticeships and the imminent national roll-out of Education Maintenance Allowances for young people in full-time education from 2004.

The government's new target for young people's participation in learning – that by 2010, 90% of young people by age 22 will have participated in a full-time programme fitting them for entry to higher education or skilled employment – reflects and strengthens this emphasis further. In contrast with older unemployed adults, unemployed young people are generally encouraged to take up full-time education, training or work with training rather than work without training.

Adults in work and adults not available for work

In general, our analysis suggests that welfare benefit rules do not restrict or prevent adults who are either employed or who have been judged as not being available for work, other than those who are on disability or incapacity benefits, from participation in learning. Moreover, eligibility for means-tested benefits, such as Income Support or Working Tax Credits, can bring other financial benefits such as fee remission which can alleviate some, though by no means all, of the cost of learning.

Unemployed adults

However, for adults who are unemployed, and who receive 'work seeking' benefits, or for those who are sick or disabled, the position is very different and has, to date, been much less flexible. The rules governing job-seeking benefits mean that individuals cannot enter into full-time or part-time programmes at will.

The 'work first' approach to welfare pursued by DWP is reflected in the rules governing learning for those who are unemployed or economically inactive. Wherever possible, the priority is rapid re-entry into employment of those who are unemployed or economically inactive. Limited and tightly prescribed participation in education and training is possible for unemployed or economically inactive people, but only if basic skills needs have been identified, or as long as it does not interfere with job search. Learning can be full-time only if an individual has been unemployed for a long time and is eligible for New Deal assistance. For those who are sick or incapacitated, taking part in learning can be assumed to indicate a capacity to work and affect benefit status.

Developing policy: discussion and recommendations

The focus on 'work first' is logical and understandable in the context of the government's focus on the twin objectives of improving economic productivity and raising employment rates. But under current policy there is a danger that those most in need of learning, and who are not yet eligible for New Deal support, are eligible for basic skills support only if they need it to address deficits. They miss out on intensive opportunities to pursue learning and, moreover, to pursue learning as a priority. While those that are eligible for New Deal support have more opportunity to learn full-time, their choice of learning is still restricted by type and duration. Further, although individuals have the choice of whether or not to pursue an education and training option, the compulsion associated with the New Deal may not help develop a longer-term enthusiasm for learning once individuals are off the New Deal and into work.

The Skills Strategy explicitly recognises that unemployed or economically inactive people are less likely than their employed counterparts to have a Level 2 qualification and that learning can improve employability. Its proposals for better aligning the policies of DWP and DfES may help to ameliorate this situation.

The White Paper notes that the government will develop a stronger link between the DfES and the DWP, and between the operations of Job Centre Plus and the national Learning and Skills Council. It states that:

We will give more encouragement for benefit claimants (including those on long term inactive benefits) to gain skills and qualifications to boost their chances of good jobs, and will review ways to give priority to placing people in jobs with training.

Ways of strengthening the links between DfES and DWP are to be examined by the government's National Employment Panel. LSDA believes that the measures discussed below are likely to be particularly important in helping people to move from welfare benefits into learning, training and ultimately work. It suggests that the National Employment Panel might consider implementing some of the recommendations below regarding unemployed adults and sick and disabled people. It also suggests that the recommendations regarding young people be considered by the cross-government review of the overall system of financial support for 16–19 year olds.

Unemployed adults

As the earlier quote from the LSC's funding adult learning technical document indicated, securing increased participation in learning among those with low skills is not easy. Learning is unlikely to be regarded by unemployed and economically inactive people as the easy option, particularly as the incentives for people to enter work through the tax credits system improve.

If we are to stimulate demand for learning among those who have not participated in the past and perhaps now have the greatest need of intensive participation in learning to help them back into the labour force on a sustainable basis, it would seem sensible to create measures that enable unemployed people to learn full-time.

The 2003 Budget offers extra help for unemployed people searching for jobs, including greater discretion by New Deal advisers over which clients qualify for early entry to the New Deal. While this is welcome, LSDA recommends that JSA benefit regulations be freed up to enable those who wish to, to participate in full-time learning programmes and to encourage, in particular, learning programmes delivered flexibly, including by distance or electronic learning, to enable individuals to combine job search with intensive learning programmes.

In addition, LSDA recommends considering meeting some of the study costs incurred by unemployed people on learning programmes outside the New Deal. LSDA welcomes, in this context, the proposal within the LSC funding adult learning consultation document that appropriate learner support for low-skilled learners might be tailored to individual needs, like the current learner support arrangements in further education.

People who are sick or disabled

Although it is necessary and understandable that the rules governing eligibility for benefits should be designed to prevent individuals from using permanent study as a way of avoiding work, LSDA firmly believes that learning is not the easy option. It is possible that many individuals might benefit both from learning as a means of easing the transition back into work and from qualifications and skills acquired during their learning.

LSDA recommends that the rules governing welfare benefits for those who are sick and incapacitated should be reviewed. Definition of permitted/therapeutic learning should broadened to include a wider range of learning and DWP should be more sympathetic towards those who indicate that they wish to pursue learning.

LSDA also recommends that reassessed Incapacity Benefit claimants should be able to study part-time or full-time. Where they have been reassessed as being incapable of work, as part of the national roll-out of interviews for people on working-age benefits, they should be able to study full-time or part-time without losing benefits.

Young people

The 2003 Budget contained some positive announcements designed to encourage more young people to stay on in education and training. Education Maintenance Allowances are to be introduced across England from September 2004, enabling more young people from poorer families to pursue education beyond the age of 16.

But there are fewer incentives for young people to move from Income Support into government-supported training or to participate in part-time training. LSDA recommends that:

- there should be parity of financial support available to young people whether they are on training programmes, in education or on welfare benefits
- training allowances should be disregarded for Income Support and Housing Benefit purposes in the same way as Education Maintenance Allowances are currently
- consideration should be given to extending Child Benefit to parents with children in part-time education
- Education Maintenance Allowances should be piloted for young people on part-time education programmes.

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